Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109

COMMENTS OF SE ACQUISITIONS, LLC d/b/a SOUTHEAST TELEPHONE

SE Acquisitions, LLC d/b/a SouthEast Telephone ("SouthEast") hereby submits its comments in response to the Notice of Proposed Rulemaking ("NPRM") and Further Notice of Proposed Rulemaking ("FNPRM") in the above captioned proceedings.

SouthEast is a rural Competitive Local Exchange Carrier ("CLEC") that began operations as SouthEast Telephone, Inc., in 1996, and presently serves over 25,000 customers across 59 counties in only the most rural areas of Eastern Kentucky. SouthEast is dedicated to bringing competition and advanced service to otherwise underserved areas. Southeast also serves a large number of subscribers that qualify for Lifeline/Link-Up assistance.

In the FCC's Seventh Report and Order (01-146), the Commission sought "to ensure, by the least intrusive means possible, that CLEC access charges are just and reasonable." The result was a conclusion that tariff rate caps should be established for CLECs. The FCC then adopted a three-year transition to decrease these rates to parity with Incumbent Local Exchange Carrier ("ILEC") rates. Importantly, however, the FCC recognized that for CLECs operating solely in the rural areas of price cap ILEC territories, like SouthEast, different treatment was warranted.

The FCC correctly reasoned that limiting such rural CLECs to the access rates of its ILEC competitor would prove unworkable. FCC rules require such ILECs to geographically average their access rates. The FCC noted that "This regulatory requirement causes these non-rural ILECs effectively to use their low-cost, urban and suburban operations to subsidize their higher cost, rural operations, with the effect that their state-wide averaged access rates recover only a portion of the ILEC's costs for providing access service to the rural portions of its study area." The FCC found that since rural CLECs lack the lower-cost urban operations that non-rural ILECs can use to subsidize their rural operations, these rural CLECs should be permitted to charge more for access service, as do the small rural ILECs. To address this policy issue, the FCC adopted the National Exchange Carrier Association ("NECA") switched access tariff rates as the benchmark that most appropriately remedies the otherwise unworkable pricing dilemma for *exclusively* rural CLECs. Consequently, SouthEast's interstate rates have been based on NECA tariff pricing since its Federal Access Tariff was initially filed in late 2003.

At the same time SouthEast filed its Federal Access Tariff, it also filed its initial Intrastate Access Tariff in Kentucky and established rates consistent with the approach articulated by the FCC in 01-146 by benchmarking against NECA ILECs in Kentucky.

The FCC appropriately carved out an access charge exemption for rural CLECs, and the need for the exemption is as critical today as it was when it was established. SouthEast is precisely the kind of company the rural exemption was designed for. Most of the discussion in the NPRM focuses on abuses of the rural exemption, but the success of the policy must not be overlooked. By charging access rates associated with rural ILECs, SouthEast was able to bring robust competition to rural, previously underserved parts of Kentucky. Without these access revenues – which presently comprise nearly 30% of SouthEast's total revenues -- it would simply be too costly to provide competitively priced retail services in these areas. Filling in this gap is exactly what the rural benchmark was intended to do.

SouthEast continues to migrate off of ILEC wholesale services and deploy its own network. It is this network that will dramatically expand competitive broadband options for SouthEast's customer base of more than 25,000. Again, it is SouthEast's rural ILEC-based access rates that are making this effort possible.

At the same time, SouthEast accepts that the current Intercarrier Compensation ("ICC") mechanism does not appear to have long-term sustainability. It is appropriate that the FCC is addressing the problems associated with Traffic Stimulation[1], Phantom Traffic and VoIP traffic in this proceeding, and these efforts should relieve much of the pressure threatening the current mechanism. Properly reforming ICC in the long term, however, will not be easy. Changes that are too rapid, or that fail to appropriately consider competitive rural carriers, for example, could "pull the rug out" from carriers like SouthEast and their customers. Since SouthEast is one of the driving forces behind broadband deployment in the rural areas it serves, such policies would result in a retreat from the FCC's rural broadband objectives rather than an advance toward them.

First, the FCC must avoid abrupt changes in ICC. Previous proposals have recognized the need for a very moderate "glide path", and the situation is no different now. Achieving interstate/intrastate switched access rate parity – while working closely with state PUCs – is a reasonable first step in the transition. Such a transition should be made in no less than five years. The second step is migrating downward to a long-term, unified ICC rate that applies to *all* traffic. An additional five year transition is warranted for this phase of ICC reform.

[1] It's worth noting that SouthEast has never engaged in any effort to "stimulate" switched access minutes in order to exploit its rural exempt status. It is Southeast's view that these activities undermine the intended purpose of the rural exemption.

Second, whether the FCC adopts these moderate transitional periods or something more aggressive, competitive rural carriers like Southeast must be afforded the same treatment as other rural carriers under the proposed Connect America Fund ("CAF"). To the extent that a portion of the CAF is used to replace reduced ICC revenue for rural carriers, the FCC's stated policy objectives regarding telecommunications service in rural areas would be hindered of such funds were not equally available to competitive rural carriers.

Submitted this 18th day of April, 2011.

Beth Bowersock

Beth Bowersock, Director of Legal and Regulatory
SE Acquisitions, LLC d/b/a SouthEast Telephone